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SUBJECT: AI CONCERNS IN EGYPT IMPACT MARKET CONDITIONS

[11.](#) Avian Influenza

The poultry industry in Egypt is in severe crisis. Consumer fears, fueled by reports of the presence of avian influenza (AI) in neighboring countries, have caused a precipitous drop in consumption of poultry meat and eggs. The Egyptian Parliament has taken the unprecedented step of removing poultry from its in-house restaurant menu. The United States does not export poultry or eggs to Egypt; however, these fears threaten U.S. exports of corn, soybeans, and poultry meal, including feather meal used in poultry diets.

[12.](#) Trade Impact

There have been no reports of AI in Egypt, in humans or in animals; nevertheless, consumption of poultry meat, eggs, and grains has fallen by 40 percent, 30 percent, and 25 percent, respectively. Egypt annually imports 5 million MT of yellow corn, (85 percent from the U.S.), one million MT of soybean meal (25 percent from the U.S.), and 400,000 MT of soybeans (35 percent from the U.S.). In addition, there is a \$25 million feather meal market, with U.S. suppliers owning over 50 percent of market share. Larger companies in all effected sectors (grains and poultry production) will be able to weather the current crisis, due to larger than normal capital reserves gained from significant profits reaped over the last two years. Small, family producers, on the other hand, may not fare as well; larger companies have already begun to purchase smaller companies, positioning themselves for an eventual turnaround in market conditions.

[13.](#) Government Response

The primary response from GOE officials has been to impose bans that prohibit the import of poultry and poultry by-products from all sources. In late January, a three-month-old ban was extended for an additional 30 days, with another review coming at the end of this period. An inter-ministerial committee (comprised of officials from the Ministries of Agriculture, Trade, Health, Environment, and Aviation) has consistently placed pressure on the Ministry of Agriculture to maintain all bans; however, MinAg was able to gain an exemption for imports of grandparent stock to guarantee broiler and layer production in 2007-2008. The Ministry of Agriculture realizes the magnitude of restricting exports, but officials have had difficulty conveying the seriousness of the situation to members of the inter-ministerial committee. In the current environment, industry contacts have given anecdotes of retail prices as low as 3 LE/kg for poultry meat, lower than the price for "foul" (an inexpensive fava bean dish widely consumed for its protein value).

[14.](#) Future Outlook

However, there is a general feeling among industry players that the eye of the storm has passed. They attribute this perception to more concrete steps being taken by the government and trade interests. MinAg has increased its surveillance activities, dispatching teams to visit farms on a regular basis. The Ministry of Health and the Poultry Union have launched advertisement campaigns to promote the safety of properly cooked poultry meat; television programs have also begun to reduce the rhetoric and take a more scientific approach to discussing facts about AI.

Sustained GOE vigilance with regard to surveillance and early detection of AI must continue for consumption patterns to return to their normal levels. The approach of warmer weather should aid in strengthening consumer confidence, as there should be fewer concerns about the flu.

RICCIARDONE